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EVALUATION OF CHINESE INDUSTRIAL POTENTIAL

When the available mineral resources, industrial equipment, and communications systems of China are surveyed, the foundations of her industrial economy appear weak. However, her reserves of black coal, particularly coking coal (444.5 billion tons), and of hydroelectric power (64 million kilowatts) are considerable. By comparison, petroleum reserves are small: 206 million tons of crude oil and 314 million tons of shale oil. The total, 520 million tons, exceeds European oil reserves, while being far below those of the Middle East, Latin America, the US, and the Soviet Union.

The supply of raw materials is far from sufficient to satisfy the normal needs of China's industry and commerce.

Coal production in 1948 amounted to 14 million tons. As a result of the great progress in Manchuria, output rose in 1950 to 25-30 million tons, but did not reach the 1936 total of China proper and Manchuria. The greatest part of coal production comes from Manchuria (Fu-shun and Sian). Some comes from several mines in North China (K'ai-lan, Ta-t'ung, Po-shan, and parts of Shansi); and some comes from various coal fields scattered throughout Central China: Pin-chiang /presumably P'ing-hsiang/ south of Po-Lo Lake /presumably Po-yang Lake/. In large areas, particularly in southern and western China, coal production is at a standstill.

The limited exploitation of water power despite an enormous potential, and the insufficient coal supply are the reasons for the small power output -- only 3 billion kilowatt-hours. Consequently, many factories such as the cotton and weaving mills in Shanghai can operate only on a limited basis.

Petroleum production is calculated at 100,000 tons annually and natural gas at 600,000 cubic meters. The largest petroleum deposits (120 million tons of crude oil) in Sinkiang Province are exploited by a joint Sino-Soviet corporation set up in 1950. The crude oil is refined in the Soviet Union.

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However, China occupies a leading position in the production of certain metals: she leads the world in wolfram output (8,600 tons), is fifth in antimony production (2,800 tons), seventh in tin (5,000 tons of ore), and eighth in mercury (54 tons). Salt production is estimated at 2,267,000 tons.

On the other hand, Chinese production of a number of metals indispensable to modern industry is completely inadequate. Iron-ore deposits are small (1,500,000,000 tons), and the mines in operation, particularly in Liao-yang, produce ore of only 30-35 percent ferrous content. The deposits at Ta-yeh, which supply the iron industry of the Yangtse valley (in particular, the Han-yang works near Hankow), are among the few beds with a high ferrous content -- 60 percent. But the deposits total only 27 million tons. The annual iron-ore output in China is one million tons.

The dearth of zinc, copper, and lead deposits accounts for the limited exploitation of these metals. However, the bauxite deposits are significant and, according to a Chinese estimate, amount to 278 million tons yielding 30-60 percent. Extraction at the deposits, located principally in the Liaoning (Liaosi-Liaoeph) region, has hardly begun.

The output of agricultural products vital for industrial processing has improved considerably, although the old level has not been reached. The cotton production plan, set up in 1950 with a goal of 1,250,000 tons (800,000 tons in 1936), is beginning to show good results. Use of high-quality seed, systematic pest control, and a loan system **introduced** by the Agricultural Bank of China promote cotton cultivation, to which 2 million hectares of land are devoted. The 1949 harvest was 974,000 tons, 400,000 tons higher than the 1947 yield.

The planting of mulberry trees in the Kansu, Chekiang, and Anhwei silk-producing areas has put Chinese silk cultivation (5,000 tons annually) back in second place.

Industrialization

Industrialization is still relatively limited for several reasons. Before the war, China was only slightly industrialized; raw steel output amounted to only 465,000 tons in 1936 and machine production was inconsequential. Only the cotton industry was highly developed, with 5,544,000 spindles and 56,000 looms. The cement industry, producing one million tons annually, was able to meet the country's demands and export small quantities to Indonesia and Malaya.

The industrial potential developed by the Japanese during the war was partially lost. Most of the factories erected in western China had to be closed because their excessive overhead made them unable to meet the competition of better-equipped factories in the East.

Present Industrial Potential

The Chinese textile industry has been partially rebuilt, and is today the only extensive industrial branch. The cotton industry operates 4,700,000 spindle and 51,000 looms. ~~Shanghai~~, with 51 percent of all textile equipment, retains its place as the center of this industry. Its 69 (from a national total of 224) textile factories operate 2,400,000 spindles and 24,000 looms. Other medium-sized cotton centers are **located** at the ports of Tsingtao and Tientsin (with 300,000 spindles each), and in the Manchurian cities of Mukden, Dairen, Liao-yang, Ying-kou, Chin-chou, and Antung, which have a total of 600,000 spindles. Factories of lesser importance are located in An-ch'ing, Hankow, and Chen-chiang.

The silk industry, almost completely rebuilt, is limited to the coastal areas in East and Central China: Shanghai and Wu-hsi, in Kiangsu (six factories), and Chekiang.

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The cement industry, scattered throughout the country, is the second most important industry in China. Production totals 700,000-800,000 tons annually. Cement centers are located in the north: (T'ai-yuan in Shansi Province, T'ang-shan in Hopeh Province, Chin-hsi in Liaosi Province -- the last having the most important factory, with a capacity of 124,000 tons); in Central China (Suanghai, Nanking); and in the South (K'un-yang, in Yunnan Province, and Canton).

The iron and steel industry built in Manchuria by the Japanese apparently has not been completely restored. China produced less than one million tons of steel annually. The greatest part of the metallurgical industry is in Manchuria, located principally near the coal fields of Fu-shun, An-shan, and Harbin. The installations at Han-yang, near Hankow, are comparatively important, despite their great distance from raw materials. Shanghai is the third steel center, where three plants have been built with blast furnaces, Martin furnaces, electric furnaces, rolling mills, and machine works. These installations, however, are small, with only 400-500 workers and a total capacity of 31,000 tons.

The chemical industry has also been neglected until now. The annual production may be summarized as follows:

	<u>Production</u> (tons)
Sulfuric acid (in 3 factories)	40,000
Hydrochloric acid and nitric acid	1,300
Soda (in North China near T'ai-yuan, Ching-ching, and Tsingtao)	20,000
Calcium carbide (from one factory, against requirements of 13,000 tons); some from several pharmaceutical plants	4,000

Only 1,200,000 tons of petroleum are refined at plants in Shanghai, An-tung, Fu-shun, and Chin-hsi.

Paper manufacturing with the exception of cigarette paper, is of little consequence. The industry is concentrated in Shanghai, Manchuria, the Peiping area, Tientsin, Tsinan, and Tsingtao.

According to official figures, 56 percent of China's total industrial income comes from Manchuria, which produced 78 percent of the electric power and 49 percent of the coal. Southern Manchuria is the great center of the chemical, paper, cement, and machine industries (87 percent of total Chinese output), and particularly of the iron industry (93 percent). Virtually all industries are represented in Shanghai, a city of 3,700,000, but the textile industry, constituting half the national total, stands out most prominently.

Communications System

Although the destruction caused by the civil war has been largely repaired, China is even poorer in modern means of communication than in industrial material. The road network covers 136,000 kilometers, and the railway network before the civil war comprised 26,837 kilometers. The severe damage was quickly repaired and 22,126 kilometers were open to traffic by July 1950. About one half of the tracks now in operation are in Manchuria. These are grouped into two main lines -- a connection between Manchou-li in the Northwest and Sui-fen-ho on the Korean border, and another between Port Arthur and Harbin. Both lines are operated by the Sino-Soviet Chung-Ch'ang Railway Company.

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The railway network is less dense north of the Yangtse, where there are 12 lines covering 8,400 kilometers. Two of these lines can be considered main lines: Peiping-Hankow and Tientsin-P'u-kou. The latter is being extended in a westerly direction to Ning-hsia [sic]. South of the Yangtse, reconstruction has not progressed very rapidly and there is a looser network comprising only 7,400 kilometers with one main line, the Hankow-Canton.

The old Chinese railway network, even after its complete reconstruction, will still be inadequate to meet present needs. Therefore, the government has planned to construct several new lines, including a 640-kilometer line from T'ien-shui to Lan-chou, and another from Chungking to Ch'eng-tu (530 kilometers). Work has already begun and, by the end of 1950, 125 kilometers of the Chungking-Ch'eng-tu line had been opened to traffic.

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